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Control: 7573
Rec'd: July 11, 1959
6:37 p.m.

Info SS SP C L INR H PX UMSC E DCL ICA RMR

FROM: Benghazi

TO: Secretary of State

NO: 24, July 11, 1 p.m., (SECTION ONE OF TWO)

SENT DEPARTMENT 24, REPEATED INFORMATION TRIPOLI 28

TRIPOLI PASS 7272 ABW

DEPTEL 9

Extremely disappointed I have not been authorized take realistic steps forestall crisis Libyan-American relations. In light of this I must assume we can not afford luxury of unrestricted use Wheelus Field and that we are willing risk eventual loss. Opportunity now open for amicable solution (with no immediate increase in total dollar aid) may not arise again, if, as seems likely, lack US response Libyan requests becomes major issue forthcoming electoral campaign with candidates vying for position of harshest foe of US privileges Libya on grounds compensation [in] adequate, [protesting] actual firmness Libyan position in manner suggested is risk we should avoid, since unfavorable reaction will undoubtedly be leaked to press and public and thus not subject to later retraction.

Position taken reference telegram amounts complete rejection Libyan requests if US government unwilling continue with budgetary cash grant even at FY 1959 level. Flexibility in aid protect financing no solution to budgetary problem, which oil revenues can not be expected ameliorate for at least next 2 years. Aside from fact FY 1959 budgetary grant already partially built into budget in form of salary increases (Benghazi's despatch 262, 6/22/59) expansion Libyan army, Prime Minister not Minister Communications face self-inflicted requirement finance Fezzan road, which by itself risks cabinet crisis if we remain adamant our refusal direct financing (as we should do, except for suggestion advanced our telegram 658).

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DEPARTMENT OF STATE A/CDC/MR
J.W. Raz DATE 5/6/82

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While, as Department states, concessions made to present government would not guarantee against further demands, we would clearly be in better position at that time to make firm refusal than we have now, after eight months, during which GOL has reason to believe we have accepted in effect principle of renegotiation financial annex.

Furthermore, fact King Idris has not positively indicated dissatisfaction with "financial annex" base agreement is no indication he satisfied. His government has with his knowledge indicated dissatisfaction, and we have reason believe he fully in sympathy with principle of obtaining more unrestricted funds (Benghazi despatch 146, enclosure one of page 2). We have been sticky or negative about at least two projects in which King personally interested, i.e. Fezzan road construction and Derna-Tobruk water pipeline. King in our opinion unlikely disavow Kubar policies, unless forced to choose between him and US. Equally important, in any appeal to King this subject, is our position vis-a-vis Prime Minister. Such action our part would mean end of any relationship of mutual confidence between US with all difficulties this would entail for our various operations, programs and policies this country.

Believe GOL would be willing forego actual change September 9 financial annex provided desired results (unrestricted budgetary funds at increased level) achieved through MSP cash grant supplementing September 9 agreement funds. Otherwise, Prime Minister, who has gotten himself far out on limb, may be forced resign, with unpredictable but assuredly damaging results to US position Libya, since fall of government will be directly linked to influence foreign powers. While Kubar may not be Washington's ideal of Prime Minister I see no serious candidate on horizon who would be any better from our standpoint. If one of Shalhi clique emerged it would of course be much worse in every way. Believe we should remember that regarding US military operations Kubar has been outstandingly cooperative, i.e., use of Wheelus for US military airlift to Turkey and Lebanon last July, annual missile exercises--US amphibious landings and combined Anglo-American training exercises. Believe we would be making grave mistake to force Kubar's resignation on issue which would have wide public support.

FKG/11 - CONFIDENTIAL JONES

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Control: 7564
Rec'd: July 11, 1959
6:10 p.m.

FROM: Benghazi

TO: Secretary of State

NO: 24, July 11, 1 p.m. (SECTION TWO OF TWO)

SENT DEPARTMENT 24; REPEATED INFORMATION TRIPOLI 28.

TRIPOLI PASS 7272 AEW.

As I said in EMBTEL 8, rightly or wrongly, every Libyan from King down believes Libya is entitled to receive more American aid than those countries which do not provide US military facilities.

It is firm belief that position expressed in DEPTEL 9 involves degree of risk of irreparable damage to our position here that outweighs any possible difficulties and disadvantages we might encounter in meeting to some extent the Libyan request of March 18 for unrestricted funds in exchange for military facilities. Before approaching King of Kubar empty-handed, I must request reconsideration Embassy's recommendations contained Tripoli telegram 683.

Country team concurs in above.

JONES

JS/2

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